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DEPARTMENT OF MANAGEMENT
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LAWTON CHILES, GOVERNOR

WILLIAM H. LINDNER, SECRETARY

Information Technology Program
Building 4030. Suite 180

FCC

April 6, 1998

Honorable Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 96-45 – Reply Comments of Florida Department of Management Services in Support of the Washington State Department of Information Services' Petition for Reconsideration of the FCC Fourth Order on Reconsideration

Dear Secretary Salas:

The Florida Department of Management Services (DMS) fully supports the Petition for Reconsideration filed by the Washington State Department of Information Services, seeking review of the Fourth Order on Reconsideration, dated December 30, 1997. The Washington petition, filed on February 12, 1998, addresses those portions of the Fourth Order that have created problems for state networks through denial of the ability to seek direct reimbursement from the Universal Service Fund (USF).

Florida DMS voiced similar concerns in its filing on January 26, 1998 (copy attached). In our previously filed comments, DMS asked the FCC to readdress the role that state networks play in providing USF support for eligible schools and libraries and to direct more attention to the administrative complexities of state networks, including cost recovery, assembly of network services, and billing.

In filing this letter, we reiterate our concerns and seek further review, emphasizing that the FCC take note on how state networks operate in promoting efficiencies for statewide telecommunications in the public sector and their potential for carrying this over into the USF school and library discount program.

Sincerely,

Linda L. Nelson

Linda L. Nelson, Director
Information Technology Program

LLN:cm:mjb:lnsalas-ccdocket96-45

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Enclosure

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LAWTON CHILES, GOVERNOR

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Information Technology Program
Building 4030, Suite 180L

January 26, 1998

Honorable Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 96-45 - Comments on Universal Service (Report to Congress)
In Response to Public Notice DA 98-63 Issued January 14, 1998

Dear Secretary Salas:

As a member and active participant in the NASTD organization, the Florida Department of Management Services (DMS) fully supports the comments filed by the National Association of State Telecommunications Directors in the above referenced proceeding.

Chapter 282, Florida Statutes, assigns DMS responsibility for developing and maintaining the SUNCOM Network as the state communications system. SUNCOM has existed under Florida law since 1975. SUNCOM provides local and long distance service to state agencies (including universities, community colleges, and libraries), political subdivisions of the state (including counties and school districts), municipalities, and certain nonprofit corporations (including private universities and health care providers). By statute the SUNCOM Network is designed to transmit all types of communications signals, including voice, data, video, image, and radio.

Chapter 287, Florida Statutes, requires DMS to competitively procure all services offered by the SUNCOM Network. Ninety-nine percent of the services offered by the SUNCOM

Network are leased from the telecommunications industry in Florida. The SUNCOM services include the following:

- Long Distance Telephone Service
- Local Telephone Service
- Florida Information Transport & Exchange System (FLITES)
  - Dedicated Data Service
  - SNA Transport Service
  - Capitol Center FDDI Service
  - Internet Access
  - Router Transport Service
  - Frame Relay Transport Service
- Florida Government Teleconferencing Network

The aggregated rates of SUNCOM include the service and overhead costs incurred in providing SUNCOM services to comply with Florida law that requires a system of equitable billing and charges. The statutes mandate that the SUNCOM Network be totally funded by fees charged to its users, which include schools, libraries, and rural healthcare providers eligible for discounts from the Universal Service Fund (USF).

In addition, the 1995 Florida Education Facilities Infrastructure Improvement (EFII) Act (Chapter 364, Part II, F.S.) charged DMS with the responsibility of providing Florida citizens with better access to education and health services through Advanced Telecommunications Services (ATS) for eligible schools, libraries, and rural health care providers. As a service agency, DMS is an aggregator of Advanced Telecommunications Services competitively procured for eligible facilities throughout Florida under the SUNCOM portfolio of services. In Florida 5,500 eligible facilities filed technology plans with the state agency responsible for review, and those plans were approved in compliance with the 1995 Florida EFII Act.

Recently, the FCC's Fourth Order on Reconsideration, issued on December 30, 1997, raised significant concerns for Florida DMS. Previously, DMS requested clarification on whether this department could act as agent for schools, libraries, and rural health care providers in Florida to directly obtain reimbursement from the USF for SUNCOM telecommunication services offered to the eligible entities at SUNCOM published prices. As explained above and in our past filings (see attachments), SUNCOM is required by state law to recover its costs through rates charged to the whole body of users, including state agencies, universities, community colleges, and local governments that are ineligible for the USF.

Although the recent FCC order clarifies that state telecommunications networks may act as consortium agents in the USF application process, it precludes state networks from filing directly to the USF since "state telecommunications networks do not meet the definition of telecommunications carrier."

This inability to file directly to the USF has created two problems for DMS in providing USF qualified services to Florida's eligible schools, libraries, and rural health care providers. By not directly filing for reimbursement to the USF and merely passing through USF discounts to the eligible entities, DMS has no mechanism to recover its administrative overhead for state services utilized by USF eligible facilities, as required by Florida law.

Secondly, the administrative detail of matching the appropriate USF discount percentage to the individual eligible entity becomes overly burdensome to our billing process. It would require the identification of each individual cost related to all the specific services for every eligible entity and the transfer of that information to the vendors involved in supplying each aspect of every utilized service.

In contrast, if the DMS network were allowed to apply directly to the USF, the administrative requirement would be a simple modification of our billing process to apply the appropriate USF discount percentage to the total telecommunications account for eligible services subscribed to by each individual eligible entity.

The FCC Order unfairly minimizes the additional cost that will result to the DMS network from "passing through" USF discounts. It is clear the FCC order fails to anticipate the intricacies involved for the DMS network in piecing together telecommunications services to obtain the lowest price for our users. Many of the DMS services are broken out into multiple parts that are bid separately and therefore involve several different vendors for one service. Without the ability to seek direct reimbursement, this fragmentation of services among multiple vendors creates a difficult situation for DMS in our role of supporting Florida's eligible schools, libraries, and rural health care providers as benefactors of the USF.

It should be pointed out that the administrative task of merely separating eligible users from ineligible users is a simple task in comparison to the task of matching services (or portions of services) and multiple vendors to the eligible user. The process of separating eligible from ineligible entities does not present a problem for DMS.

To summarize, DMS works to provide all our users the best price possible for every service offered based on the State's competitive bidding process, the network's aggregated volume, the utilization of multiple vendors, and a minimal amount included for DMS operational costs. Although the FCC recognizes the value that state telecommunications networks have to offer the USF eligible entities, it appears to fail to appreciate the complexities involved in providing multiple services to multiple users statewide through the use of many qualified vendors in the most cost effective manner.

To provide a fair assessment of where state telecommunications networks fit into the USF applications process, it is important to focus more clearly on how state telecommunications networks assemble their services and structure their rates to cover operational costs, in addition to focusing on the complexities of the billing process.

In closing, DMS requests the FCC to readdress the issue of state telecommunications network operations through further clarification and direct more attention to the administrative complications that exist for many state networks in providing USF application support to benefit the eligible schools and libraries. In summary, DMS is seeking a remedy to the problems that have been created through denial of the ability to directly apply to the USF for reimbursement to obtain discounts for telecommunication services offered to eligible schools, libraries, and rural health care providers.

Sincerely,

Linda Nelson

Linda L. Nelson, Director
Information Technology Program

LLN:cm/wp:mjb:usf-fcc-recon-order

Enclosures

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket 96-45
Federal-State Joint Board on Universal Service	)	

PETITION FOR RECONSIDERATION

The Washington State Department of Information Services ("DIS"), the Office of the Superintendent of Public Instruction ("OSPI"), the Washington State Library, the North Thurston School District No. 3, the Yakima Valley Regional Library, and Educational Service District No. 112, Vancouver ("Petitioners") hereby petition the Commission for expedited reconsideration of its December 30, 1997, Fourth Order on Reconsideration ("Fourth Order") in the above-captioned proceeding. Petitioner DIS is a state agency authorized by the Washington State Legislature to provide telecommunications and information services to public entities in Washington, including state agencies, local governments, universities and colleges, and schools and libraries. The other Petitioners are local educational or library entities that use DIS-provided state network services, or state agencies representing schools and libraries that use DIS-provided services.(1)

In its Fourth Order, the Commission clarified several issues first addressed in its May 8, 1997, Report and Order implementing the universal service discount program for schools and libraries. Among other things, it determined that state telecommunications networks would not be eligible to receive direct reimbursement from the Universal Service Fund ("USF") for telecommunications services provided to schools and libraries. The Commission also determined that schools and libraries that receive state-provided telecommunications services cannot receive discounts for "value added" integration of these services, even though they may receive discounts on such services when provided directly by a private provider.

In their Comments submitted in response to the Commission's January 5, 1998, Public Notice in this proceeding,(2) the National Association of State Telecommunications Directors ("NASTD"), of which Washington is a member, and the Florida Department of Management Services, raised concerns that the Fourth Order precludes schools and libraries from obtaining discounts on the significant administrative costs included in their state-provided services. They also made clear that the administrative detail imposed by the Fourth Order – requiring the state network to match the appropriate USF discount percentage to the individual eligible entity – is overly burdensome and costly to current billing processes.

The Fourth Order creates these and additional problems for the State of Washington (and, we believe, other states), and threatens to undo its decade-long effort to promote efficiencies in public-sector telecommunications, avoid duplication of resources, and ensure interoperability among public entities' telecommunications components. By denying the state the ability to obtain discounts directly from the USF for services provided to schools and libraries, the Commission has subjected Washington State to a tremendous administrative burden to comply with the discount program. These resulting administrative costs must be passed on to the schools and libraries it serves. And by denying Washington's schools and libraries the ability to obtain discounts for legitimate costs associated with the state's aggregation of telecommunications services, the Commission has made these services less attractive to schools and libraries.

As a consequence, the Commission has created disincentives for Washington's schools and libraries to use state-aggregated telecommunications services, even though the costs of state services would be considerably lower *but for* the greater discounts that apply to the more expensive private carriers' service options under the current rules. This not only creates added pressure on the USF, as discounts to schools will be based on the larger costs of services provided directly by private companies, but by potentially draining the state network's user base of schools and libraries, it also reduces the volume purchasing power of the state and raises the costs of telecommunications services for all state agencies, local governments, public universities, and other public entities in Washington.

Petitioners request that the Commission reconsider the unintended consequences of its Fourth Order in states such as Washington. It should revisit its narrow definition of "advanced services" under Section 254 to include those services whereby the state networks integrate and add significant value to service elements acquired from carriers and other product and service providers. Alternatively, the Commission should grant Washington's state network and similar state networks a waiver from the strict definition of telecommunications carrier for purposes of the schools and library program. In either case, the Commission should declare that state networks are eligible to receive discounts for services provided to K-12 schools and public libraries directly from the USF based on established rates.

A. Washington State Efforts in Promoting Efficiencies in the Purchase and Use of Telecommunications by the Public Sector.

For more than a decade, Washington State has been committed to developing sound policies to guide its acquisition and use of information and telecommunications services. State and local government purchases of telecommunications technologies and services exceed $600 million annually in Washington State, and policy makers have made it a priority to ensure that the state takes advantage of its leverage as a volume purchaser of telecommunications services, and to coordinate infrastructure development to ensure interoperability and avoid costly duplication of facilities and networks.

In 1987, the Legislature created the Department of Information Services as a cabinet-level Washington State agency responsible for providing computing and telecommunications services to state agencies, local governments, and other public entities, and for developing policies to promote the efficient use of information technology within Washington State.,(3) Moreover, Washington State has been a pioneer in providing its education communities with advanced, integrated network services. For more than a decade, DIS has been especially focused on providing cost-effective services specifically tailored to the needs of the educational community, including public universities and colleges, educational service districts, schools, and libraries. By law, DIS does not provide services to the private sector. DIS is a discretionary provider, meaning that no public organization is required to use its services, and it operates the state network on a full cost-recovery basis. DIS relies on the private telecommunications companies for the provision of the telecommunications services to which it adds value. Through leveraged competition, economies of scale, and value-added integration of private sector products and services, these state network services expand service options available to public entities and reduce costs to the taxpayers who fund them.

1. The K-20 Educational Network.

In 1996, the Legislature authorized the development of the "K-20 Educational Telecommunications Network," to provide universities, colleges, public libraries, and each of the state's 296 public school districts – urban and rural, large and small – with advanced telecommunications services. In establishing the network, the Legislature stated its intent "to make maximum use of a common telecommunications backbone network in building and expanding education technology systems. Therefore, coordinated policy and planning to ensure program quality, interoperability, and efficient service delivery are the highest priority of the legislature.",(4)

The K-20 Network was designed with the guidance and participation of the entire education community. Consistent with state policy, this multi-sector collaboration sought to avoid costly, duplicative and overlapping infrastructure; assure interoperability among the education sectors and their programs; and achieve maximum leverage in obtaining the required components of the network. Examples of network services provided by the K-20 Network that go beyond basic telecommunication services include:

- An "education intranet" that provides high-performance, low-overhead delivery of Internet traffic among the state's education institutions without the necessity to route the traffic through the national Internet backbone, thereby avoiding significant but unnecessary transport costs. Where network traffic needs to flow to and from the national Internet backbone for accessing locations outside the state, it is routed though a small number of high-capacity gateways to achieve additional efficiencies. Lower cost and higher performance result from this highly leveraged, shared network approach.
- Switched ISDN services for two-way interactive video. Point-to-point and multi-point connections allow K-12 schools to connect with each other and with community college and higher education institutions. Because these kinds of services are not commercially available in many Washington communities, many K-12 schools would not have access to these services except for the K-20 Network.(5)

By design, the K-20 Network maximizes the services procured through competitive bid from private-sector telecommunications carriers. The K-20 Network employs leveraged competition to purchase local and interexchange transport services from carriers including US WEST, AT&T, Sprint, and GTE. The network also employs switching equipment obtained from Lucent, Nortel, Cisco, GTE, US WEST and others to aggregate and switch network traffic through regional nodes of the statewide backbone network.

2. Other DIS Services.

In addition to the highly-visible K-20 network project currently under way in Washington, DIS provides long distance, local telephone service, and other services to public entities, including schools and libraries. Currently, schools and libraries pay for the various services provided by DIS through rates established to reflect the actual cost of providing service. Leased circuit, equipment, maintenance and operations costs are elements of the network services that are recovered in these rates, just as they are in the rates of any common carrier. These rates are standard for all users of the network, including not just K-12 schools and libraries but higher education as well.

The state network in Washington, through its ability to aggregate demand and provide value-added components, provides the lowest prediscount pricing available in the market for most public organizations. Today, prior to e-rate considerations, more than 120 school districts and libraries have made a business decision to utilize the state network in order to take advantage of value-added services at competitive rates.

The state network in Washington adds value to basic carrier services in a variety of ways. The lower rates that carriers charge the state network are not solely based on volume purchasing leverage. In varying degrees, depending on the service, the state network may collaborate with carriers to assume responsibility for some aspects of service delivery as a way to further reduce costs and/or tailor services to better fit the business needs of public organizations. Additionally, the state network may integrate service elements from several carriers by employing switches or other electronics to produce a tailored service to address statewide requirements.

B. The Fourth Order Imposes Heavy Administrative Burdens on State Telecommunications Networks While Limiting Their Ability to Recover Fair Discounts on Their Costs.

In its May 8 Order, the Commission correctly noted that because state telecommunications networks serve only public and governmental entities, they would not be deemed resellers and therefore not be required to pay into the USF.(6) It noted, too, that it would require such networks to "keep and retain careful records of how they have allocated the costs of shared facilities in order to charge eligible schools and libraries the appropriate amounts."(7) These records need reflect only "reasonable approximations of cost allocations ... sufficient to deter significant abuse."(8)

Based on the Commission's May 8 Order, DIS anticipated that it would be treated as a service provider whose school and library customers could receive appropriate discounts based on the bills they receive from DIS for the services ordered. This would require these schools and libraries to complete Forms 470 and 471, and DIS to receive direct reimbursement for those discounts. This arrangement would be administratively workable for both DIS and the schools and libraries it serves.

In the Fourth Order, however, the Commission stated (at para. 183) that:

> with respect to telecommunications, state telecommunications networks only will be permitted to pass on discounts for such services to eligible schools and libraries, but will not ... be able to receive direct reimbursement from the universal service support mechanism for providing such services. We conclude that a state telecommunications network itself will not qualify for discounts on telecommunications.

The Commission stated that because state networks do not meet the statutory definition of "telecommunications carrier," they are not eligible for direct reimbursement for services other than advanced services. In other words, except for Internet services, only those telecommunication services purchased directly from carriers – and not the significant value added to these services by state networks – are eligible for USF discounts, and only carriers may obtain discounts directly from the USF. Because the value-added portion of the state network rate is not discountable, however, one of two possible outcomes results:

- The partially discounted state network rate may exceed the fully discounted rate available directly from a carrier causing the school to leave the state network with the result that: 1) both the school and the USF pay more than they would have if the state network rate were fully discounted; 2) the school may lose technical, operational, and programmatic benefits associated with participation in the state network; and 3) the state network loses some measure of purchasing leverage and economies of scale such that all participating public organizations are negatively impacted.
- The partially discounted state network rate may still be lower than the fully discounted rate available directly from a carrier, in which case the school will likely remain with the state network. However, in this case the school would pay more than they would have if the state network rate were fully discounted; and all of the parties – including the carriers supplying services to the state network – are burdened with excessive and unnecessary administrative processes resulting from the analysis and record keeping required to obtain USF discounts through the carriers.

These are discussed below.

1. The FCC Incorrectly Characterizes the Value Added by State Networks as Minimal.

The Fourth Order incorrectly assumes that all cost elements in a state network rate are either attributable to carrier charges or minor state administrative charges. In fact, state network rates contain cost elements reflecting value-added components and, in some cases, service delivery responsibilities that are shared with carriers. For example, state network value-added service components to Centrex service include:

- analysis of subscriber requirements and development of appropriate service orders;
- an automated system for service order processing;
- project management support for new service initiation;
- a single point of contact for subscribers regardless of the particular carrier involved in service provision;
- performance of on-line service management functions such as line feature changes;
- a billing system that generates simple, easy to understand statements and billing detail that is tailored to meet the subscriber needs;
- a 24-hour, seven-day-a-week help desk that provides problem resolution support for subscribers;
- network performance monitoring and technical support for problem resolution;
- optional access to state network long distance services; and
- optional access to cost-effective voice messaging and other enhanced services that may be of value to schools and libraries (recognizing that some service options may not be eligible for USF discounts).

Similarly, for long distance services, DIS procures telecommunications services from Sprint, US WEST, GTE, and AT&T and combines them in the state network to produce integrated long distance services for public organizations. In addition to many of the value-added elements outlined in the Centrex detail above, the long distance value-added elements provided by the state include:

- switching infrastructure and related facilities used to aggregate long distance traffic from more than 300 locations statewide serving 500

public organizations of which 120 are school districts and libraries;
- network design and engineering; and
- network operation and management.

Indeed, part of the justification for larger discounts from carriers is attributable to the fact that the carriers have only the state network organization to deal with for order processing, billing, and problem resolution – a single interface rather than needing to deal directly with hundreds of individual public organizations. The Commission in essence penalizes the state for having negotiated with the private carriers to assume these duties in return for lower costs. And it relegates schools and libraries to second-class status among public entities by denying them the benefits of these arrangements.

The Commission's Fourth Order minimizes the role that state networks play in providing telecommunications services. It states at Paragraph 182 that state networks should be treated as consortia which may pass through the applicable discounts from the telecommunications carriers to the eligible schools and libraries. However, this ignores that Washington's state network is different from other consortia which simply act as "buyers," because the state contributes significant value-added service components that may account for more than 20 percent of the users' costs, and which clearly exceed the costs associated with a simple "buyers' consortium." By treating all state networks as mere "buyers' consortia," the FCC has arbitrarily limited the ability of the schools and libraries to realize the full benefit of available discounts.

2. The Fourth Order Imposes Undue Administrative Burdens on State Networks.

Paragraph 189 of the Fourth Order recognizes that "...even if [state networks] were able to receive direct reimbursement from the support mechanisms for providing telecommunications, state telecommunications networks would still need to determine which entities are eligible for discounts and the discount rate to which each eligible entity is entitled." DIS does not disagree with this assessment. In fact, DIS has the mechanisms in place to make the discount determinations and apply them. But that is a far less burdensome effort than what has been imposed on state networks by making them split out their rates into portions attributable to any one carrier, any equipment vendor and the state's value-added piece. Such an onus unduly burdens the state networks and prevents them from realizing the same kind of full cost recovery afforded to the telecommunications carriers under current interpretation. This detrimental treatment of the state network is not justified by any apparent benefit to either the schools and libraries or the USF.

Even if DIS were to undertake the enormous effort to segregate these costs to the degree required by the Commission, the costs of doing so would have to be added to the rates charged to the customers of the state network. As a result, the cost benefits of volume purchasing and state value-added services would be lessened. Indeed, DIS expects that the costs of telecommunications services for all state agencies, local governments, universities, and others will increase as the state faces attrition of its user base and loses its corresponding volume purchasing power. Moreover, if schools and libraries turn away from the lower-cost state network in search of larger subsidies elsewhere, they risk procuring services that, although fully discounted, may not be interoperable with other state services or which are duplicative of state infrastructure.

C. The Fourth Order Contains Disincentives to Schools' Participation in State Networks, and Will Increase Demands on the

Universal Service Fund.

As noted above, DIS services are discretionary. Schools and libraries are free to choose whether to participate in any DIS networks or procure services directly from any other provider. Currently, DIS' services and prices are attractive enough to maintain a large user base among schools and libraries.

However, by allowing private carriers and other service providers to include their administrative overhead, aggregation costs, and other value added to their standard telecommunications rates for purposes of USF discounts, while denying the same ability to state networks, the Commission allows schools and libraries to discount a higher percentage of the private carriers' costs compared to those of state networks. This creates an economic disincentive for schools and libraries to stay with the state networks, despite their lower prediscount costs. Clearly, this works against the development of competition in the marketplace – a basic tenet of the Telecommunications Act of 1996 – by denying schools and libraries their preferred configuration of services as well as the benefits of lower costs.

The attached graphs illustrate these disincentives. Because current rules do not allow schools or libraries to recover discounts on the value added by state networks, these users will be attracted to higher-cost services where they can be assured of discounts on 100 percent of these costs. This will also result in higher costs to both the USF and the schools and libraries. And because the effect of the Order is to encourage migration away from the lower-cost state network services to higher-cost private services to which discounts can be fully applied, the discounts paid by the USF will be based on substantially higher numbers. This undercuts the very intent of the Telecommunications Act of 1996 and the Commission's May 8 Order to promote efficiencies in the school's use of technology. By contrast, as the graphs show, both the USF and schools and libraries would benefit from the Commission allowing full discounts on rates for state network services.

D. The Commission Should Revisit Its Definition of "Advanced Services" in the Fourth Order to Include Aggregated and Value-Added Services by State Networks.

The Commission should revisit its current classifications of "telecommunications services" and "advanced services." Specifically, Section 254(c)(3) states that "in addition to the services included in the definition of universal service under [Section 25(c)(1)], the Commission may designate additional services for such support mechanisms for schools and libraries ... for the purposes of [Section 254(h)]." Section 254(h)(2), in turn, states that "[t]he Commission shall establish competitively neutral rules to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all schools and libraries." As the Commission noted in its May 8 Order and again in the Fourth Order, these provisions "authorize[ ] the Commission to permit discounts and funding mechanisms to enhance access to advanced services by non-telecommunications providers."(9) Thus, the Commission has considerable leeway in classifying services to which the state adds significant value either as "advanced services" or as a separate category of service for purposes of schools and libraries. Given that the specific aggregated and value-added services are generally not available to schools and libraries from the private carriers in the form provided by the state, such a classification is especially appropriate. For this reason, DIS urges the Commission to determine that the rates for state services be deemed fully eligible for discounts, and that state networks may recover those discounts directly from the USF.

Alternatively, the Commission should revisit or waive applicability of the definition of "telecommunications carrier" to allow state networks to receive direct reimbursement from the USF for all services.

Conclusion

Competition in the telecommunications marketplace is promoted by state networks that leverage their purchasing power to bring lower prices, wider choices, and more responsive services to state agencies, local governments, and other public entities. Schools and libraries, including those joining in this Petition, must be able to take advantage of the lowest available prediscount rate regardless of the fact that it may include value-added components of the state network. To accomplish this, the USF discount should be applied against the *complete* state network rate, not just the carrier-supplied portion. This will result in the lowest cost to the schools and libraries and avoid unnecessary costs to the USF. Additionally, this will allow schools and libraries to remain on the state network and continue to contribute to the purchasing leverage created by all public organizations within a state for their mutual benefit.

The current reality is that Washington's state network provides to more than just the services of a buyers' consortium, and should rightly be allowed to provide direct discounts for those services. The definition of advanced telecommunications services should not be sliced so thinly as to limit discounts on the very kinds of technology contemplated by the Act. The states that have moved to the forefront by providing advanced services to their education sectors should

not be penalized for being the pioneers. Allowing full discounts on the state networks such as Washington's ensures that schools and libraries are able to receive the benefits that Congress enumerated.

Respectfully submitted,

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Charts illustrating disincentives for schools to use lower-cost state network CENTREX SERVICE/LONG DISTANCE SERVICE when applying current FCC/SLC rules in the State of Washington. (These charts are in PDF format. To download the free Adobe Acrobat Reader, go to DIS Tools).

Footnotes

(1) Petitioners seek expedited consideration of this petition so that the concerns raised herein may be resolved in sufficient time to allow Petitioners to prepare and submit the appropriate applications for universal service discounts before the end of the 75-day filing window.

(2) Public Notice DA98-63 (Report ot Congress), January 5, 1998.

(3) DIS operates pursuant to Rev. Code Wash. 43.105.

(4) Rev. Code. Wash. 28D.02.005.

(5) DIS' efforts in integrating products and services supplied by a variety of telecommunication carriers and equipment suppliers have played an important role in bringing cost-effective, advanced services to many schools in rural communities that would otherwise be unable to obtain them. For example, the interactive video services that can link rural students with college professors in urban centers are provided through the switched ISDN services of the K-20 Network. Such services are simply not otherwise available in many rural areas of Washington.

(6) Paragraph 800 of the Commission's May 8, 1997, Order, state:

> government entities that purchase telecommunications services in bulk on behalf of themselves, e.g., state networks for schools and libraries, will not be considered "other providers of telecommunications" that will be required to contribute. Such government entities would be purchasing services for local or state governments or related agencies. Therefore we find that such government agencies serve only their internal needs and should not be required to contribute.

(7) Id. at para. 569.

(8) Id. at para. 570.

(9) May 8 Order, 12 FCC Rcd at 9085; Fourth Order, para. 190.

Return to K-20 TOPC.